

Transforming the Army: Meeting the Challenges of a Changing World

Based on Remarks by
The Honorable David M. Walker
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As Comptroller General of the United States, I have a wide range of responsibilities, from meeting Congress' information needs to advising agency heads on ways to improve their operations. But one of my most important duties is to help ensure that government is accountable to the American people.

In my job, I've learned that everyone is for accountability until they're the ones being held accountable. I've often found myself a lone voice speaking out on complex and controversial issues. For example, this morning I spoke to the Board of Directors of the American Association of Retired Persons about the country's long-term budget challenges and the need for entitlement reform. This evening, General Shinseki has asked me to talk about the need to transform the Army.

I'd like to touch on the following four areas: our changing world and the importance of the Army's transformation efforts; our nation's long-range fiscal challenges and their implications for the defense budget; the need for a fundamental review of what government does and how government does business, particularly as it applies to the military; and selected principles of change management and leadership.

I have to say that I've had the benefit of a recent briefing by General Shinseki on the Army's current transformation efforts. I'll also be drawing on related GAO work and on my own experiences during a 28-year career in government and the private sector.

First, I want to say a few words about our changing world. As GAO's strategic plan notes, the world has changed significantly in the past 20 years, and it is likely to change even more in the next 20 years. The Cold War is over, and we won. The world is more interconnected than ever, through open markets and rapidly developing technology. And, after years of budget deficits, the United States faces projected budget surpluses for years to come.

We must recognize and respond to these changes. In doing so, we must consider not only the implications of the past but also the prospects for the future.

The Changes We Face

In terms of the major challenges facing the United States, GAO's strategic plan is divided into six major themes, many of which directly affect the Defense Department (DOD) and the Army. These themes are globalization, changing security threats, rapidly evolving technologies, demographics, quality-of-life considerations, and governmentwide transformation efforts.

Today, we face the increasing globalization of markets, products, information, and enterprises—including the defense industry.

We face more diverse and diffuse security threats, including rogue nations and other new adversaries with very different weapons at their disposal, including biological and chemical agents and cyberterrorism.

We face new technology that is revolutionizing the nature of warfare, from how it is fought to how it is won. And although technology offers opportunities to increase productivity and decrease costs, it also poses threats to our national security and personal privacy.

We face aging societies and longer life spans, which pose a host of economic, fiscal, and human capital challenges to governments and employers in industrialized nations—including the U.S. Army.

We face a range of serious quality-of-life issues, from educating our citizens to conserving the environment to balancing the demands of work and family. The work/family issue is especially important for the Army and the other military services. I know from personal experience in my own family the stresses that additional deployments and increased ops tempo place on service members and their loved ones.

Finally, these key trends and changing public expectations are forcing government to rethink what it does and how it does business. In the years ahead, the Army and many other government entities will face profound pressures to change. Government agencies will have to focus on results and outcomes rather than on processes and outputs. However, a true cultural transformation will depend on strong leadership and effective management strategies.

The Changes We Must Manage

Before I discuss the issue of change management and leadership, I'd like to touch on our nation's current and projected budget situation.

Although we now enjoy continuing projected surpluses, we will likely return to the days of red ink unless we reform major entitlement programs, such as Social Security, Medicare, and Medicaid. These programs represent about 41 percent of the federal budget, up from 31 percent in 1962. At the same time, defense spending now represents about 16 percent of the federal budget, down from about 50 percent in 1962.

Some, but not all, of these changes can be explained by the ending of the Cold War. One of the less publicized stories is the connection between the drop in defense spending and the rise in mandatory spending, which covers everything from Social Security to interest on the debt. Our most fundamental long-term budget challenge is how to control mandatory spending, which now accounts for two-thirds of all federal spending. To put that number into perspective, in 1962, mandatory spending accounted for only one-third of federal outlays. The challenge will be particularly difficult when it comes to health care.

Although the past is instructive, I think it's more important to consider where we go from here. Unfortunately, the long-term budget picture is not promising. The short-term budget forecasts look good, but the long-term projections—anything beyond 10 years—look worse, in large part because of rising health care costs.

The United States confronts a known demographic tidal wave—the retirement of the baby boomers—that will begin to sweep in by 2011, just beyond the current 10-year projections. This tidal wave will threaten us with rising budget deficits and will put intense pressure on discretionary spending unless we get on with entitlement reform.

Guess what's in discretionary spending? It's national defense, education programs, our judicial system, the nation's infrastructure, and most programs for children. Some of these government responsibilities are even spelled out in the Constitution!

Whether you realize it or not, the stakes for our armed forces couldn't be higher when it comes to entitlement reform. Unless the entitlement programs are reformed, they will eventually crowd out defense spending. After all, health care costs are going only one way under our current system—and that's up.

Given our long-range budget challenges and changing public expectations, now is the time for our government to fundamentally review its missions and its business processes. This must include a top-to-bottom reassessment of our national security strategy and national military strategy, with an eye toward credible current and future threats.

Wants, Needs, and Affordability

We must ask the tough questions to distinguish among “wants” that are unlimited, “needs” that are real, what the American people will support, and what the federal government can afford to fund. In this regard, the two biggest imbalances in the federal budget are health care and weapons systems.

We must identify our excess infrastructure in both defense and civilian programs. Every dollar spent on wants is a dollar that isn't available for some of the military's most pressing needs, such as readiness, a better quality of life for our troops, and investments in new technology. We must review the roles of the individual services, their force structure, basing, deployments, and platform needs. We must examine management and accountability in such areas as strategic planning, financial management, information technology, and human capital strategy.

This last issue—human capital—is extremely important. Whether it's the public, private, or not-for-profit sector, three elements are key to maximizing performance and ensuring accountability—people, process, and technology. Of these three, the most important by far is people.

Let's face it. The Army and the other services face a range of growing people challenges. If we don't attract, motivate, and retain a qualified workforce, nothing else matters. This must be our top priority.

After all, it's not just superior equipment or computers that give us the edge on the battlefield. It's the men and women who design and operate this technology who are our real competitive advantage. Simply put, it takes people to win wars.

As I've said before and I'll say again, our military forces are second to none. DOD and the services deserve an "A" for effectiveness. They're the best in the world at fighting and winning armed conflicts. However, DOD and the services earn a "D+" on economy and efficiency. The problems are especially severe in basic financial management, internal controls, acquisition practices, and inventory control. That "D+" means that billions of dollars are being siphoned away from real needs. DOD also falls short in accounting for outcomes, especially when it comes to acquisition programs. In fact, Senator Byrd and others have raised questions about how much more DOD should be given, in light of the fact that it can't account for what it already has.

All too often, DOD programs are based on wants rather than needs, with a bias toward customization, even when it doesn't make sense. The "we are different" mentality isn't confined to DOD, but it's a real problem. You can find examples of "requirements creep" across the military, such as in the Army's custom-designed war wagon. Such unwarranted customization results in billions of dollars in cost overruns, years of development delays, and compromised performance standards.

This is a systemic problem that must be addressed now. In GAO's view, DOD should have to follow best practices from the commercial sector when designing and developing major weapons systems unless there is a clear and compelling national security reason not to do so.

What's at Stake

The acquisition environment is just one area in which DOD needs to change how it does business. I recognize that change is tough, and most people don't like to change. But change is essential if we are to respond effectively to a world in flux. To produce lasting and meaningful change, most people believe that you have to convince others that there will be serious consequences if they don't change. I think the Army faces three likely outcomes if it fails to change.

First, other services will be better positioned than the Army to meet likely threats in the 21st century. Some are arguing that this is already the case. Second, the Army and the rest of the military will confront the increasing budgetary pressures that I mentioned earlier. Third, the Army will be fighting an uphill battle in a new and unconventional war—the war for talent.

Changing what the Army does and how it does business will require a difficult cultural transformation. Much of government is too hierarchical, process oriented, stovepiped, and inwardly focused. Government must become more collegial, results oriented, integrated, and externally focused. We also face this challenge at GAO, and I've been working to address it ever since I joined the agency in late 1998.

The need for cultural transformation does not mean that the Army's chain-of-command structure is obsolete. During times of war, following the chain of command can make the difference between victory and defeat, life and death. Cultural transformation does mean tapping the ideas of your staff to figure out how to do things better and to shed light on what they think truly matters. This means empowering your junior officers, troops, and support personnel to a greater extent. At the same time, increased empowerment should be accompanied by greater accountability.

Cultural transformation depends on having a compelling mission and vision. You need specific goals and objectives that are tied to a strategic plan and linked to your performance measurement and reward systems. It also helps if you have a set of core values—that's C-O-R-E, not C-O-R-P-S—to help guide you there. Every organization needs to decide on its own core values. At GAO, we have three—accountability, integrity, and reliability.

I believe that the key to change is communication, communication, and communication. Communication must go both ways. It has to be frequent, and the key message has to be consistent throughout an organization. Listening and responding to employees' concerns and comments are particularly important during a time of change.

Some won't get the message and will never come on board. It is essential that you take steps to ensure that their disagreement does not sow the seeds of widespread discontent. Staying in touch with the troops and getting their opinions directly will be critical. New technology can help you do this quickly and confidentially.

Leadership—The Lynchpin of Change

Ultimately, success depends on effective leadership. Leadership makes all the difference. True leadership transcends the efforts of a single person or a finite term of office. A long-term perspective is crucial to leading change.

Given the importance of leadership to this discussion, I'd like to close with a few words about the key attributes of effective leaders. At the top of my list would be Presidents Theodore Roosevelt and Abraham Lincoln, Generals George S. Patton and Robert E. Lee, and businessmen Lee Iacocca and Bill Marriott. Despite their very different styles, they were all true leaders who shared certain attributes: Character. Vision. Competence. Commitment. Energy. Courage. Integrity. Perseverance. Motivation. Decisiveness. Judgment.

These leaders were team players who recognized that one person can't do it all. They weren't afraid to listen and learn from others or to mentor those who would one day follow in their footsteps. I want to acknowledge a debt to Norm Augustine, the head of Lockheed Martin, for much of this list, to which I've added a few ideas of my own.

The times are changing, and we must change with them. You are not alone. We all face the challenge of change.

Congress will continue to look to GAO for timely, objective, and useful information on the Army and its transformation efforts. At the same time, we at GAO want you to succeed. We are committed to working with you in a constructive way. We don't just want to point out what's wrong; we want also to show what's right and what's best.

BIOGRAPHY OF DAVID M. WALKER

David M. Walker became the seventh Comptroller General of the United States and began his 15-year term when he took his oath of office on November 9, 1998. As Comptroller General, Mr. Walker is the nation's chief accountability officer and the head of the General Accounting Office (GAO), a legislative branch agency founded in 1921. GAO helps Congress maximize the performance and ensure the accountability of the federal government for the benefit of the American people.

Immediately prior to his appointment as Comptroller General, Mr. Walker was a partner and global managing director of Arthur Andersen LLP's human capital services practice and a member of the board of Arthur Andersen Financial Advisors, a registered investment advisor. He also served as a Public Trustee for Social Security and Medicare from 1990 to 1995, while he was a partner with Arthur Andersen. Before joining Arthur Andersen, Mr. Walker was Assistant Secretary of Labor for Pension and Welfare Benefit Programs and Acting Executive Director for the Pension Benefit Guaranty Corporation. His earlier technical, professional, and business experience was gained with Price Waterhouse, Coopers & Lybrand, and with Source Services Corporation. Mr. Walker is a certified public accountant. He has a B.S. degree in accounting from Jacksonville University and a Senior Management in Government Certificate in Public Policy from the John F. Kennedy School of Government at Harvard University. He is married to the former Mary Etheredge, and they have two adult children—a daughter, Carol, and a son, Andy.

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